

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

FORT JAMES OPERATING)
COMPANY and GEORGIA-PACIFIC)
CORPORATION,)

Reg. No. 940,243

Petitioners,)

Mark: BRAWNY

v.)

Cancellation No. 92044396

BRAWNY PLASTICS, INC.,)

72259973

Registrant.)

**OPPOSITION TO BRAWNY PLASTICS, INC.'S
MOTION TO SUSPEND PROCEEDINGS**

For the reasons set forth below, the Board should deny Brawny Plastics Inc.'s ("Brawny Plastics") and Nextep, Inc.'s ("Nextep") *Motion to Suspend* this cancellation proceeding.¹

Argument & Citation of Authorities

The narrow issue presented to the Board by these proceedings is the ownership and validity of U.S. Registration No. 0940243 ("the Registration"). Specifically, on information and belief, Brawny Plastics committed fraud on the Patent and Trademark Office ("the PTO") by submitting false and fraudulent statements regarding its use of the mark that is the subject of the Registration in its *Combined Declaration of Use in Commerce and Application*

¹ Nextep, Inc., the alleged assignee of U.S. Registration No. 940,243, joined Brawny Plastics in its motion requesting a suspension of these proceedings. Nextep, Inc. has not been made a party to these proceedings and consequently is not entitled to request a suspension. See T.B.M.P. Rule 510.01 (noting that **parties** may stipulate or file a motion requesting a suspension) (emphasis added).



For Renewal Under Sections 8 & 9, filed with the PTO on October 29, 2002. Therefore, the Registration is void and should be cancelled. See The Toro Co. v. Grassmasters, Inc., 2003 WL 255744, *9 (T.T.A.B. 2003) (fraudulent statement in renewal application constitutes fraud on the PTO sufficient for cancellation of registration); cf. Stardust Inc. v. Birdsboro Knitting Mills, Inc., 119 U.S.P.Q. 270, n. 5, 271 (T.T.A.B. 1958) (“[T]here has been no use by opposer of its mark on hosiery since 1947 or 1948, and the statement that the mark was in use on hosiery ...in the affidavit filed in 1964 in connection with Reg. No. 235,931 was untrue; opposer therefore may not rely on this registration for any purpose in the Patent Office.”). Consequently, the purported assignment of the Registration by Brawny Plastics to Nextep was ineffective and transferred no ownership rights in the Registration, or the mark that is the subject of the Registration, to Nextep. See Auburn Farms, Inc. v. McKee Foods Corp., 1999 WL 588247, *6, 51 U.S.P.Q.2d 1439 (T.T.A.B. 1998) (granting petition to cancel registration; noting that assignment of registration was an assignment in gross because prior cessation of use of the mark resulted in an absence of goodwill). Alternatively, Brawny Plastics did not transfer goodwill to Nextep for other reasons, rendering the assignment void and the Registration cancelable.

The validity (or invalidity) of the Registration is a matter that is separate from, and not at all dependent on, any potential infringement dispute between Petitioners and Nextep. As such, the Board should determine this narrow issue. In Driving Force, Inc. v. Manpower, Inc., 498 F. Supp. 21, 211 U.S.P.Q. 60 (E.D.Pa. 1980), the court determined that because of the specialized knowledge and experience of the Trademark Trial and Appeal Board, the

Board “is better equipped than are the courts to make an initial determination as to trademark registration and infringement.” Id. at 25; see also C-Cure Chemical Co. v. Secure Adhesives Corp., 571 F. Supp. 808, 823-24, 220 U.S.P.Q. 545 (W.D. N.Y. 1983) (staying district court action pending disposition of cancellation proceedings and noting that the Board “has specialized expertise and experience” in dealing with cancellation actions). Furthermore, the court determined that the Board adjudication would materially aid in ultimately deciding the issues presented before the district court. Driving Force, Inc., 498 F. Supp. at 25; see also Citicasters Co. v. Country Club Communications, 1997 WL 715034, 44 U.S. P.Q.2d 1223, 1224 (C.D.Ca. 1997) (staying district court proceedings and noting that the TTAB’s specialized knowledge in the parallel cancellation proceeding would prove valuable to the district court).

Indeed, in this case, the Board’s expertise is particularly important because the allegations involve fraud on the PTO, the administrative body with which the Trademark Trial and Appeal Board is affiliated and about which the Board is far more knowledgeable than a district court. The Board is better equipped to examine whether the integrity of the registration renewal process has been maintained.

Moreover, “the declaratory judgment procedure should not be used to pre-empt and prejudice issues that are committed for initial decision by an administrative body or special tribunal.” National Marketing Consultants v. Blue Cross and Blue Shield Association, No. 87 C 7161, 1987 WL 20138, *2 (granting motion to stay district court proceedings pending the outcome of the Trademark Trial and Appeal Board’s determination of likelihood of

confusion) (unpublished) (copy attached hereto as Exhibit A), citing Public Service Commission of Utah v. Wycoff Co., 344 U.S. 237, 246-247 (1952). A stay in this action would deprive Petitioners of the expertise of this body and allow preemption of the Board's considered judgment on validity of a registration, an issue expressly committed to its authority.

This cancellation proceeding was instituted against Brawny Plastics, Inc., the Registrant who appeared of record at the time the Petition was prepared.² It was instituted before Nextep filed a declaratory judgment action in the United States District Court for the District of Nevada (the "Federal Court Action"). Petitioners herein have filed a Motion to Dismiss the Federal Court Action because it is premature and does not present a justiciable controversy, such that Nextep cannot meet the jurisdictional threshold for a declaratory judgment. (See Motion and Brief attached hereto as Exhibit B). Indeed, until the Board decides whether there is a registration at all and whether Nextep is the owner of the registration, it is questionable whether Nextep even has standing to raise any issue in the Federal Court Action related to the Registration.

A stay of these proceedings would preempt this Board's decision-making authority. It would only encourage purported trademark registrants or alleged assignees concerned about the Board's view of their claimed registration or the impropriety of their actions to seek to avoid the Board's scrutiny. The Board should not stay this cancellation proceeding

² It now appears that an assignment was recorded at approximately the time the Petition was filed and that the PTO records have been updated to reflect that recording.

properly before it in favor of a later-filed action by an entity that may not have any right in the Registration.

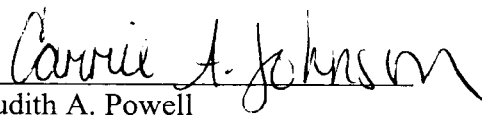
Request for an Oral Hearing

Pursuant to T.B.M.P. Rule 802.02, Petitioners have concurrently filed *Petitioners' Request for An Oral Hearing*, a copy of which is attached hereto as Exhibit C.

Conclusion

The stay of a Board proceeding pending the final determination of another proceeding is **solely within the discretion of the Board**. See T.B.M.P. Rule 510.02(a) (emphasis added). As such, and for the reasons set forth herein, Petitioners request that the Board deny Brawny Plastics' *Motion to Suspend*.

Respectfully Submitted,


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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

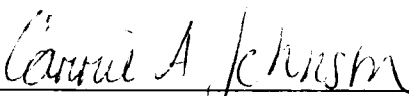
FORT JAMES OPERATING)	
COMPANY and GEORGIA-PACIFIC)	
CORPORATION,)	Reg. No. 940,243
)	
Petitioners.)	Mark: BRAWNY
)	
v.)	Cancellation No. 92044396
)	
BRAWNY PLASTICS, INC.,)	
)	
Registrant.)	

CERTIFICATE OF SERVICE

This is to certify that I have this day served a true and correct copy of the foregoing
OPPOSITION TO BRAWNY PLASTICS, INC. & NEXTEP, INC.'S MOTION TO
SUSPEND PROCEEDINGS by depositing same in the United States mail, properly
addressed with sufficient postage affixed thereto to ensure delivery to:

Michael D. Rounds
Matthew D. Francis
WATSON ROUNDS
5371 Kietzke Lane
Reno, NV 89511

This 5th day of May, 2005.


Carrie A. Johnson

P

Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern
Division.

NATIONAL MARKETING CONSULTANTS,
INC., Plaintiff and Counterdefendant,

v.

BLUE CROSS AND BLUE SHIELD
ASSOCIATION, Defendant and Counterclaimant.
No. 87 C 7161.

Nov. 19, 1987.

Memorandum Opinion
Motion to Stay Proceedings
Background

MAROVITZ, Senior District Judge.

*1 At issue is whether to grant Defendant's motion to stay the current proceedings pending the outcome of the Trademark Trial and Appeal Board's ("TTAB") Opposition proceeding. That proceeding will determine whether the similarity of the parties' respective shield designs is likely to cause confusion. Plaintiff, National Marketing Consultants ("National"), is engaged in the business of marketing and brokering legal services plans under a service mark consisting of the "National Legal Shield" utilizing a shield design. Defendant, Blue Cross and Blue Shield Association ("Blue Cross"), is in the business of providing health and disability insurance under a service mark utilizing a blue colored shield design.

National filed for a federal registration of its shield. The Patent and Trademark office subsequently published National's service mark. Blue Cross filed an Opposition proceeding before the TTAB to decide the sole issue of whether there is a likelihood of confusion between Blue Cross's and National's respective shield marks.

Following Blue Cross's initiation of the TTAB Opposition proceedings, National filed an action in the United States District Court for the District of Colorado requesting a declaratory judgment that its service mark did not infringe on defendant's service mark and, further, that it has the right to continue to

use its service mark without interference from Blue Cross. Subsequently, National filed with the TTAB a motion to suspend the Opposition proceedings pending the Colorado action. The TTAB granted National's motion to stay the Opposition proceedings. Blue Cross moved to dismiss the Colorado action. Thereafter, National voluntarily dismissed the Colorado action and refiled a virtually identical complaint in the Northern District of Illinois. Blue Cross responded to the Illinois action with a five count counterclaim seeking preliminary and permanent injunctions, treble damages, an accounting for profits and the destruction of the allegedly infringing materials. Thereafter, Blue Cross filed this motion to stay this case pending the outcome of the TTAB. Lastly, on October 7, 1987 the TTAB in a two page, summary order stayed its Opposition proceeding pending the outcome of this litigation without specifying any reasons for its decision.

Parties Contentions

Blue Cross's motion to stay is premised on the doctrine of primary jurisdiction. Defendant contends that the issue of whether there is a likelihood of confusion between the parties' respective service mark is a matter within the special competence of the TTAB and thus should be decided by that body. Additionally, Blue Cross argues that deference to the TTAB is likely to promote a speedier disposition of the entire action because the TTAB will decide the core issue of both parties' claims. Further, Blue cross argues that this court is not bound by the TTAB's decision to stay its proceeding pending the outcome of this litigation and thus should stay this action until the TTAB determines the issue of likelihood of confusion between the parties' respective trademarks.

*2 National argues that the doctrine of primary jurisdiction should not be applied to ordinary trademark infringement litigation because the issue of likelihood of confusion does not require the special expertise and experience of the TTAB. Furthermore, National claims that considerations of judicial economy weigh heavily against application of the doctrine of primary jurisdiction because the TTAB determination will not materially aid in the disposition of this action and will cause needless delay and expense. Finally, National argues that this court is required to proceed with this action due to the TTAB's decision to stay its action pending the

outcome of this litigation.

Discussion

"Primary jurisdiction ... applies where a claim is originally cognizable in the courts, and comes into play whenever enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body; in such a case the judicial process is suspended pending referral of such issues to the administrative body for its views." U.S. v. Western Pacific Railroad Co., 352 U.S. 59, 63-64 (1956).

"No fixed formula exists for applying the doctrine of primary jurisdiction. In every case the question is whether the reasons for the existence of the doctrine are present and whether the purposes it serves will be aided by its application in the particular litigation." Id. at 64. Primary jurisdiction is based on the precept "that in cases raising issues of fact not within the conventional experience of judges, or in cases requiring the exercise of administrative discretion, agencies created by Congress for regulating the subject matter should not be passed over." Id. The exercise of the court's discretion is guided in this situation by the need for initial consideration from a body possessing special expertise in the issue presented. Id. at 64-65.

In the present case, National petitioned the court for a declaration stating that its service mark is not likely to be confused with defendant's design. The issue of likelihood of confusion is precisely the issue to be resolved by the TTAB and is the core issue of the litigation between the parties pending before this court. Although the issue of likelihood of confusion between the two marks is not the sole issue presented before this court, the TTAB's determination will be a material aid in ultimately deciding the remaining issues in this case. It is sufficient that an administrative agency's decision will ultimately be a material aid in resolving the pending litigation to invoke the doctrine of primary jurisdiction. Ricci v. Chicago Mercantile Exchange, 409 U.S. 289, 305 (1973). Further, although it is within the power of this court to make such trademark infringement determinations, it is wise and proper practice to defer to the TTAB's expertise in such matters since they routinely make such determinations.

National erroneously cites Johnson & Johnson v. Walker A. Erickson & Co., 627 F.2d 57 (7th Cir.1980) for the proposition that trademark infringement cases such as the one at bar are not

suitable for the application of the primary jurisdiction doctrine. The Johnson & Johnson case is distinguishable in the following two respects. First, the issue in Johnson v. Johnson was not whether the primary jurisdiction doctrine should be applied in deferring to a pending administrative hearing, but rather whether the district court had the power to compel the patentee to submit its patent to the Patent and Trademark Office and apply for a reissue patent prior to the adjudication of the infringement action. Id. at 61. Secondly, the Seventh Circuit found that Johnson & Johnson was a question of law. The present case concerns the issue of the likelihood of confusion between trademarks which is a question of fact. Watkins Products, Inc. v. Sunwave Products, Inc., 311 F.2d 496, 499 (7th Cir.1962).

*3 Moreover, "the declaratory judgment procedure will not be used to pre-empt and prejudge issues that are committed for initial decision to an administrative body or special tribunal [...]. Responsibility for effective functioning of the administrative process cannot be thus transferred from the bodies in which congress has placed it to the courts." Public Service Commission of Utah v. Wycoff Co., 344 U.S. 237, 246-247 (1952). In the instant case the Opposition hearings were instituted prior to the filing of the underlying action. Thus the TTAB is currently the proper forum for disposition of the trademark confusion issue. For this court to proceed in this action at this time would frustrate the delicate balance envisioned by Congress between the court and the TTAB.

This court's power to invoke the primary jurisdiction doctrine and stay this action pending the outcome of the TTAB's Opposition proceeding does not dissipate merely because the TTAB acted first and stayed its proceeding pending the outcome of this litigation. As previously discussed, the policy behind primary jurisdiction will be furthered by waiting for the TTAB's determination of the likelihood of confusion between the parties' respective trademarks before continuing further. Other courts have held likewise in cases in which the plaintiff advances no reasons supporting a contention of prejudice resulting from any delay pending a decision by the TTAB. The Driving Force, Inc., v. Manpower, Inc., 498 F.Supp. 21, 26 (E.D.Penn.1980). Absent a showing of detriment, an unfortunate delay cannot preclude the application of the primary jurisdiction doctrine. Id.

In its memorandum concerning the TTAB decision, National states that the "TTAB has decided that the preferable forum for the litigation is the district

court." National's Memo Concerning TTAB Decision at 4. In its two page opinion, the TTAB indicates no decision as to a "preferable forum." *Blue Cross & Blue Shield Assn. v. National Marketing Consultants, Inc.*, Opposition No. 74, 641, Oct. 7, 1987. National cites numerous cases for its proposition that this court must proceed with this case. Unfortunately every case that National cites can be distinguished from this case. In fact, National embarks on the dangerous path of offering to this court quotations of incomplete sentences from some of the cases that it cites, effectively taking these sentences completely out of context. National fails to include in the quote from *U.S. v. Elrod* the preceding words: "the import fact is that the agency is a plaintiff in this section." *U.S. v. Elrod*, 627 F.2d 813, 817 (7th Cir.1980). These words completely distinguished *Elrod* from the instant matter. Further, National fails to complete the quoted sentence from *Skaw v. U.S.* that would show this court that the agency in that case declined to rule only after "a prior reference by the court." *Skaw v. U.S.*, 740 F.2d 932, 938 (Fed.Cir.1984). That missing factor distinguishes *Skaw* from the instant case. This court rejects as baseless the arguments set forth by National in its latest brief, including its "grave doubt" about the TTAB's "ability" because of the "Affidavit of Lora Thielbar." National's Memo, Concerning TTAB Decision at 4. This court reminds National that it is empowered to levy sanctions if it finds that a memorandum is filed that is not "well grounded in fact and is warranted by existing law." *Fed.R.Civ.Proc.* 11.

*4 As an aside, Blue Cross inaccurately discusses the exhaustion of administrative remedies in support of its motion to stay. The doctrines of primary jurisdiction and exhaustion of administrative remedies are both concerned with promoting the proper relationship between the courts and the administrative agencies charged with particular regulatory duties. The exhaustion rule applies only when a claim is cognizable in the first instance by an administrative agency alone and when judicial interference is withheld until the administrative process has run its course. *U.S. v. Western Pacific Railroad Co.*, at 63. In the present case the court had concurrent jurisdiction with the TTAB, thus explaining the sole propriety of the primary jurisdiction doctrine.

Although the court grants the motion to stay, the court takes this opportunity to specifically state that its decision was not based on Blue Cross's allegations of unwarranted delay by National. There is no

apparent merit to Blue Cross's unsubstantiated claim. Blue Cross neither averred facts nor submitted affidavits in support of this contention. From the record before the court, National merely, without a scintilla of bad faith, pursued legal relief open to it.

Summation

For the foregoing reasons, the court grants defendant's motion to stay pending the TTAB's determination of the issue of likelihood of confusion between the parties respective service marks.

1987 WL 20138 (N.D.Ill.)

END OF DOCUMENT

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13 and GEORGIA-PACIFIC CORPORATION

14 UNITED STATES DISTRICT COURT
15 DISTRICT OF NEVADA

16
17 NEXTEP, INC.,

CASE NO. CV-N-05-0227-ECR-RAM

18 Plaintiff,

19 vs.

20 FORT JAMES OPERATING COMPANY and
GEORGIA-PACIFIC CORPORATION,

21 Defendants. /

22
23
24 DEFENDANTS' MOTION TO DISMISS

25
26 Pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure, Fort James Operating
27 Company and Georgia-Pacific Corporation (collectively, "Defendants"), hereby move this Court
28 for an Order dismissing the Complaint for lack of subject matter jurisdiction. The arguments and

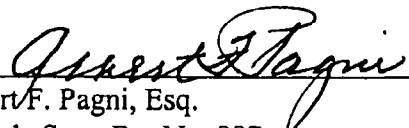
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BY _____

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1 authority in support of Defendants' motion are set out in the accompanying memorandum.

2 Dated: This 5th day of May, 2005.

3 Respectfully submitted,

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and GEORGIA-PACIFIC CORPORATION

UNITED STATES DISTRICT COURT DISTRICT OF NEVADA

NEXTEP, INC.,

CASE NO. CV-N-05-0227-ECR-RAM

Plaintiff,

vs.

FORT JAMES OPERATING COMPANY and
GEORGIA-PACIFIC CORPORATION,

Defendants. /

DEFENDANTS' MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF THEIR MOTION TO DISMISS

Pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure, Fort James Operating Company and Georgia-Pacific Corporation (collectively, "Defendants"), submit this Memorandum of Law in Support of Their Motion to Dismiss the Complaint.

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INTRODUCTION

Plaintiff NexTep, Inc. ("Plaintiff" or "NexTep") has brought this action not to pursue legitimate legal claims, but to exploit the judicial system in search of a favorable forum and to short-circuit a trademark registration administrative process carefully framed by Congress. Defendants respectfully request that this Court reject Plaintiff's inappropriate procedure and exercise its discretion under the Declaratory Judgment Act, 28 U.S.C. § 2201, to determine that Plaintiff has failed to plead the essential prerequisite for declaratory relief: the existence of an "actual case or controversy." Simply put, Plaintiff's action here is wholly premature. There are two administrative proceedings, earlier filed by Defendants, already pending before the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office ("USPTO") which will determine the trademark registrability questions at issue here. Those proceedings are: 1) an opposition proceeding to a trademark application (to which Plaintiff was not named as a party); and, 2) a cancellation proceeding that solely concerns a mark's continued registration - a determination statutorily within the aegis of the TTAB. Defendants respectfully request that this Court refuse Plaintiff's attempted end-run around these first-filed and administratively proper proceedings.

FACTUAL BACKGROUND

On January 20, 2005, Defendants filed a Notice of Opposition (Opposition No. 91/164,081) in the TTAB, the *inter partes* adjudicatory body of the USPTO, asserting their rights in various federally-registered and/or filed BRAUNNY marks used in connection with household cleaning goods (e.g., paper towels and napkins) against a trademark application filed by Brawny Plastics, Inc. for the mark BRAUNNY in connection with metal and plastic trash receptacles for household use. (See Exh. D to Complaint.) Nearly two months later, on March 28, 2005 - - utilizing the same well-established TTAB procedural rules - - Defendants also filed a cancellation

1 proceeding (Cancellation No. 92/044,396) against Brawny Plastics, Inc.'s BRAUNY mark (Reg.
2 No. 940,243), based upon Defendants' ownership of the above-referenced trademarks and on
3 claims asserting that Brawny Plastics, Inc. committed fraud upon the USPTO by submitting false
4 statements regarding its use of the mark, and that the conveyance of that mark to Plaintiff was a
5 sham transaction, devoid of any goodwill in the business connected to the mark. (See Exh. E to
6 Complaint.) Both the Opposition and the Cancellation proceedings referenced above are currently
7 underway and within the period for discovery.
8

9 Plaintiff, who has not been made a party to the TTAB proceedings and who has received
10 no communication from Defendants that Defendants are asserting any claim against it, (see Exhs.
11 D & E to Complaint), however, chose not to await the TTAB's adjudication of these properly-filed
12 proceedings. A mere two weeks after the Cancellation proceeding was filed at the TTAB, Plaintiff
13 sought to short-circuit carefully designed federal trademark policy by filing this civil action.
14 Plaintiff's sole cause of action is a claim for declaratory relief seeking a declaration of non-
15 infringement against Defendants. (Complaint at 5.)
16

17 Plaintiff's action for declaratory judgment relief is premature.¹ It is clear that Congress
18 established the TTAB as a quasi-judicial body of the USPTO to "determine and decide the
19

20
21 ¹ It is not even clear that Plaintiff could survive a challenge to its standing here. That issue is
22 currently being adjudicated before the TTAB, in Opposition No. 91/164,081, in the form of
23 Defendants'/Opposers' opposition to Plaintiff's/Applicant's Motion to Substitute Parties. Defendants do
24 not concede that the alleged assignment of the application at interest there to NexTep from its predecessor
25 in interest was a valid and effective transfer of all rights, title, and interest in the application. This is
26 confirmed by the apparently nunc pro tunc assignment of rights in the application which took place more
27 than a month and a half after Defendants filed their Notice of Opposition. An invalid assignment of rights
28 would preclude Plaintiff from claiming standing here. See Gaia Technologies, Inc. v. Reconversion
Technologies, Inc., 93 F.3d 774 (Fed. Cir. 1996), later proceedings, Gaia Technologies Inc. v. Recycled
Products Corp., 175 F.3d 365 (5th Cir. 1999) (finding that plaintiff lacked standing since it was not the
owner of the trademark at the time it filed suit). Open issues such as the foregoing only emphasize why
the TTAB should be allowed to proceed with the actions currently pending before it. Indeed the TTAB, as
an administrative, adjudicative body whose sole specialty is trademarks, already has embodied statutory
rules clearly establishing the standing of parties in trademark actions before it. See, e.g., T.B.M.P. Rule
512.02; 37 C.F.R. §§ 2113(c) and (d).

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1 respective rights of registration.” 15 U.S.C. § 1067 (Section 17 of the Lanham Act). The federal
2 statute governing the filing of trademark opposition proceedings states that “[a]ny person who
3 believes that he would be damaged by the registration of a mark may . . . file an opposition . . .”
4 15 U.S.C. § 1063. Similarly, the statute governing the filing of cancellations states that “[a]
5 petition to cancel a registration of a mark . . . may . . . be filed . . . by any person who believes that
6 he is or will be damaged by the registration of a mark.” *Id.* at § 1064. Clearly established federal
7 administrative policy governs these filings. *See id.*; *see also* 37 C.F.R. Pt. 2 et seq. In filing the
8 opposition and cancellation proceedings against Brawny Plastics, Inc., Defendants were, like
9 thousands of trademark owners each year, solely exercising their statutory rights to protect their
10 trademarks.
11

12 ARGUMENT

13 **I. PLAINTIFF HAS NOT PLEADED AN ACTUAL CASE OR CONTROVERSY 14 SUFFICIENT TO ESTABLISH THE SUBJECT MATTER JURISDICTION OF 15 THIS COURT**

16 **A. The Declaratory Judgment Act**

17 The Declaratory Judgment Act, 28 U.S.C. § 2201, provides in pertinent part:

18 In a case of actual controversy within its jurisdiction, . . . any court
19 of the United States, . . . may declare the rights and other legal
20 relations of any interested party seeking such declaration . . .

21 *Id.* Therefore, before a district court can “declare the rights,” it must first be established that an
22 “actual case or controversy” exists, and the burden of proof is borne by the party seeking to invoke
23 the jurisdiction of the federal court, here Plaintiff. *See Scott v. Breeland*, 792 F.2d 925, 927 (9th
24 Cir. 1986); *K-Lath v. Davis Wire Corp.*, 15 F. Supp. 2d 952, 958 (C.D. Cal. 1998). This
25 determination has been “repeatedly characterized” by the U.S. Supreme Court as one “which
26 confers discretion on the courts” rather than one conferring “an absolute right on the litigant.”
27 *Wilton v. Seven Falls Co.*, 515 U.S. 277, 287 (1995). When considering a Fed. R. Civ. P. 12(b)(1)
28

1 motion to dismiss that challenges the existence of jurisdiction, the court is not restricted to the face
2 of the pleadings, but "may review any evidence, such as declarations and testimony," to resolve
3 factual disputes. K-Lath, 15 F. Supp. 2d at 958 (citations omitted).

4 In the Ninth Circuit, the test used to determine the existence of jurisdiction over declaratory
5 judgment actions in trademark and patent cases is a flexible approach, first set forth in Societe de
6 Conditionnement v. Hunter Engineering Co., 655 F.2d 938, 944 (9th Cir. 1981). The Societe test
7 is:

8
9 An action for a declaratory judgment that a patent is invalid, or that
10 the plaintiff is not infringing, is a case or controversy if the plaintiff
11 has a real and reasonable apprehension that he will be subject to
liability if he continues to manufacture his product.

12 Id. at 944; see also Chesebrough-Pond's, Inc. v. Faberge, Inc., 666 F.2d 393, 396 (9th Cir. 1982)
13 (adopting same test for trademarks).

14 **B. Plaintiff Has Failed to Plead, and Cannot Demonstrate a "Real and**
15 **Reasonable Apprehension" Giving Rise to An Actual Controversy**

16 1. Plaintiff Cites No Threat or Communications by Defendants

17 Although the Ninth Circuit's stated standard is that a plaintiff need not demonstrate an
18 explicit or "actual threat" of litigation to meet the Societe test, see Societe, 655 F.2d at 944, a
19 review of Ninth Circuit cases on the issue reveals that this Circuit has apparently never found an
20 actual controversy absent a direct threat of suit. See, e.g., Societe, 655 F.2d at 940-41 (threatening
21 phone calls by Defendant to third-party vendor of plaintiff); Chesebrough, 666 F.2d at 396-97
22 (defendant immediately counterclaimed for trademark infringement). Here, Plaintiff has not
23 alleged, and in fact has no basis on which to claim, that Defendants have threatened to sue Plaintiff
24 for trademark infringement. Indeed, Plaintiff was not even a named party in either of the two
25 TTAB proceedings brought by Defendants. (See Exhs. D & E to Complaint.) Significantly,
26 Plaintiff's bare Complaint fails to cite any direct communication by Defendants to Plaintiff (or, for
27
28

that, matter by Plaintiff to Defendants). Cf. Societe, 655 F.2d at 940-41; Oakley, Inc. v. Bolle America, Inc., CV-91-634-LTL, 1992 WL 117445 at *1701-02 (C.D. Cal. 1992) (granting motion to dismiss where party “bases its claim of reasonable apprehension” on a demand letter and a TTAB opposition filing) (copy attached hereto as Exhibit A). Further, Defendants have not responded to the Complaint by counterclaiming for trademark infringement, unfair competition, or an injunction preventing Plaintiff from using its BRAUNY mark. Cf. Chesebrough, 666 F.2d at 396-97. Quite simply, there is no evidence put forth by Plaintiff that would offer even a suggestion that Plaintiff was under a “real and reasonable apprehension” that it would be subject to liability for infringement if it continues to manufacture its products.

2. The Ninth Circuit’s “General” Rule is that the Mere Filing of TTAB Proceedings Do Not Meet the Societe Test

Plaintiff’s sole pleaded claim here supporting its apprehension of liability is that the filing by Defendants of the TTAB opposition and cancellation proceedings against an entity that Plaintiff claims is its predecessor somehow amounted to a case or controversy. Plaintiff filed the instant Complaint mere weeks after Defendants filed Opposition No. 91/164,081 and Cancellation No. 92/044,396 at the TTAB. Plaintiff’s assertion is antithetical to the “general” Ninth Circuit rule set forth in Chesebrough, which found that “[e]xercise of [the court’s] discretion will allow rejection of cases that are properly before the Patent and Trademark Office” and that “a simple opposition proceeding in the Patent and Trademark Office generally will not raise a real and reasonable apprehension to suit.” Chesebrough, 666 F.2d at 396 (emphasis added).² This general rule has

² The Ninth Circuit in Chesebrough did find that the circumstances of that particular case gave rise to a real and reasonable apprehension of suit. Chesebrough, 666 F.2d at 397. But the facts and circumstances found in Chesebrough simply do not exist in this case. First, in Chesebrough, the defendant threatened the declaratory judgment plaintiff with a letter declaring an intent to file an opposition proceeding which letter set forth a prima facie case of trademark infringement. Id. at 395. No such letter is alleged nor is there any such letter in this case. In addition, in Chesebrough, when the declaratory judgment plaintiff filed its action, the defendant responded by counterclaiming for trademark infringement, unfair competition, and an injunction preventing use of the mark. Id. Here, Defendants have taken no

also been widely accepted by trademark authorities and other courts. See, e.g., 5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 32.52 (4th ed. 2004) ("the threat or actual filing of [TTAB] proceeding . . . is not, per se, regarded as sufficient to create an 'actual controversy'"); Red Lobster Inns of America v. New England Oyster House, 524 F.2d 968, 969 (5th Cir. 1975) (opposition proceeding not ground for declaratory judgment action); Homemakers, Inc. v. Chicago Home for the Friendless, 169 U.S.P.Q. 262 (7th Cir. 1971) (same for cancellation petition), cert den., 404 U.S. 831; Topp-Cola Co. v. Coca-Cola Co., 314 F. 2d 124, 125-26 (2nd Cir. 1963) (denying declaratory judgment action as "the right of both parties will be determined in due course in opposition proceeding").

3. This Dispute is Already Properly Before the TTAB Due to Defendants' First-Filed Administrative Proceedings

Plaintiff's Complaint is clearly nothing more than an attempted end-run around the TTAB to short circuit that body and its Congressionally-established procedures. This is a misuse of the Declaratory Judgment Act. See Topp-Cola, 314 F. 2d at 126 ("[Act] may not be used simply to remove a controversy from a forum where it properly belongs"); McCarthy at § 32.53 ("[t]he declaratory judgment procedure cannot be used to short-circuit established administrative procedures, such as those set up in the Patent and Trademark Office to determine the validity of federal trademark registration"). As the Supreme Court has analogously noted:

[T]he declaratory judgment procedure will not be used to preempt and prejudice issues that are committed for initial decision to an administrative body or special tribunal any more than it will be used as a substitute for statutory methods of review. . . . Responsibility for effective functioning of the administrative process cannot be thus transferred from the bodies in which Congress has placed it to the courts.

Public Service Comm'n v. Wycoff Co., 344 U.S. 237, 243 (1952).

such action. Further, in Chesebrough, the underlying TTAB proceedings had been ongoing for three years. Id. at 395. Conversely, here, Defendants filed their TTAB actions in the last few weeks.

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1 The entirety of Plaintiff's Complaint is a premature exercise, unjustly attempting to strip
2 away the authority of the TTAB to determine issues that Congress has statutorily placed in the
3 USPTO's hands. Proceedings before the TTAB affect only the right to obtain and/or maintain a
4 federal trademark registration. Such proceedings do not affect issues concerning use of a
5 trademark. In fact, a party seeking a judicial determination based solely on the cancellation of a
6 trademark registration, can only bring that action at the TTAB. District court cancellation claims
7 must be accompanied by use- and or infringement-related claims - - claims that have not been
8 asserted here. See, e.g., Windsurfing Int'l, Inc. v. AMF, Inc., 828 F.2d 755, 758-59 (Fed. Cir.
9 1987) (denying federal district court jurisdiction to hear claim for cancellation of registration).

10
11 Further, both of Defendants' TTAB proceedings were instituted prior to the filing of the
12 underlying action. Thus the TTAB is currently the proper forum for disposition. See National
13 Marketing Consultants v. Blue Cross and Blue Shield Association, No. 87-C-7161, 1987 WL
14 20138, at *2 (N.D. Ill. 1987) (granting motion to stay pending TTAB determination and
15 stating "it is wise and proper practice to defer to the TTAB's expertise in such matters as they
16 routinely make such determinations") (copy attached hereto as Exhibit B). Because it is clear that
17 TTAB determination of these registrability issues will impact sharply upon the parties' respective
18 rights in this matter, and because the TTAB is the entity with great expertise in deciding those
19 issues, primary jurisdiction in this matter may be seen as resting with the TTAB. See United
20 States v. Western-Pacific Railroad Co., 352 U.S. 59, 63-64 (1956) ("[p]rimary jurisdiction . . .
21 comes into play whenever enforcement of [a] claim requires the resolution of issues which, under
22 a regulatory scheme, have been placed within the special competence of an administrative body; in
23 such a case the judicial process is suspended pending referral of such issues to the administrative
24 body for its views"). An analogous "first to file" primary jurisdiction matter arose in a case
25 decided before a sister court within this Circuit, with compelling facts similar to those presently
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1 before the Court. The district court in Citicasters Co. v. Country Club Comm's, No. 97-0678-
2 RJK, 1997 WL 715034 (C.D. Cal. 1997) (copy attached hereto as Exhibit C), granted defendant's
3 motion to stay the latter-filed trademark infringement litigation, pending TTAB resolution of a
4 cancellation proceeding. Id. at *1. The district court determined that a decision to stay rests
5 primarily within the district court's discretion, either under the primary jurisdiction doctrine or
6 under the court's power to monitor its own docket. Id. There was, as here, no showing that
7 demonstrable harm would result to either party if a stay should be granted, and, as here, the TTAB
8 proceedings had been established only a few months before. Id. The Citicasters court noted that it
9 was "confident that the TTAB will exercise its specialized knowledge in effecting a determination
10 that will prove valuable to this court." Id.

11
12 An examination of the currently-pending TTAB proceedings reveals why the TTAB's
13 expertise should be primary here. While Defendants' Notice of Opposition does assert grounds
14 including, *inter alia*, likely confusion caused by the mark contained in Brawny Plastics' trademark
15 application, (see Exh. D to Complaint at ¶¶ 18-19); first, those assertions were not made against
16 NexTep, the Plaintiff here. Second, such assertions in opposition proceedings have long been seen
17 as separate and distinct from claims asserted in judicially-filed infringement actions. See, e.g.
18 Chicago Cosmetologists Ass'n, Inc. v. Nat'l Cosmetology Ass'n, Inc., No. 92-C-4627, 1993 WL
19 177027, at *3 (N.D. Ill. May 21, 1993) ("opposition proceedings do not constitute claims of
20 infringement, misuse, or unfair competition") (copy attached hereto as Exhibit D); Topp-Cola, 314
21 F. 2d at 126 ("[w]hile one of the bases of the opposition is that the . . . mark is confusingly similar
22 . . . , the filing of an opposition . . . proceeding is not by itself a charge or warning of a future
23 charge of infringement"). This distinction is especially significant in light of the fact that the
24 TTAB lacks the power to assess damages for trademark infringement or to issue an injunction
25 restraining trademark infringement.
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1 A mark's validity and registrability is the sine qua non of USPTO determinations. See 15
2 U.S.C. § 1052 et seq. (Lanham Act Section 2). Thus, it is Defendants' cancellation petition that is
3 especially within the TTAB's bailiwick of experience. That Petition is based on two grounds: 1)
4 an assertion of fraud committed upon the USPTO by the filing of false statements of Plaintiff's
5 predecessor in interest regarding its use of the mark, and 2) that the conveyance of the mark to
6 Plaintiff was a sham transaction, devoid of any goodwill in the business connected to the mark.
7 (See Exh. E to Complaint at ¶¶ 14-15.) These grounds do not and could not allege trademark
8 infringement because trademark infringement is not established in a cancellation proceeding. The
9 only remedy is cancellation of the registration. Fraud upon the USPTO is, by definition, especially
10 of interest to the USPTO, and such determinations are properly entrusted to the TTAB. See
11 Trademark Law Treaty Implementation Act, Pub. L. 105-330, 112 Stat. 3064 (amending Lanham
12 Act §1(a) and §1(b)) (effective October 30, 1999). As to conveyance and naked assignments of
13 trademarks, the USPTO is an especially adept judge given that such transactions are constantly
14 recorded and challenged before that body.
15

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17 Indeed, this gets to the heart of why Congress created the TTAB - - to relieve the burden on
18 the courts and also to afford businesses a cost-effective means to obtain guidance from the
19 trademark experts at the TTAB. If trademark owners were subject to becoming declaratory
20 judgment defendants every time the owner filed a TTAB proceeding, the prospect of such
21 declaratory relief suit would frustrate the clear Congressional policy inherent in the carefully
22 designed federal trademark statutes and flood the district courts with thousands of extra cases per
23 year. Clear federal policy calls for issues of opposition and cancellation to be decided in the
24 normal course of events by the TTAB. See McCarthy at § 20.99 ("[i]n cases of inter partes
25 challenges to the federal registration of trademarks, jurisdiction is granted in the first instance to
26 administrative tribunals of the United States Patent and Trademark Office").
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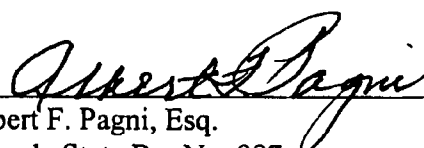
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1 Thus, given the premature nature of Plaintiff's Complaint and the utter absence in the
2 pleadings of any real or reasonable apprehension that Plaintiff would be sued by Defendants for
3 trademark infringement, the Complaint should be dismissed pursuant to Fed. R. Civ. P. 12(b)(1)
4 for lack of jurisdiction over the subject matter.
5

6 **CONCLUSION**

7 For all the foregoing reasons, Defendants respectfully request that the Court dismiss the
8 Complaint for lack of subject matter jurisdiction under Fed. R. Civ. P. 12(b)(1).
9

10 Dated: This 5th day of May, 2005.

11 
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CERTIFICATE OF SERVICE

I certify that I am an employee of Jones Vargas, and that on this date, pursuant to FRCP 5 (b), I am serving a true copy of the attached **DEFENDANTS' MOTION TO DISMISS AND DEFENDANTS' MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF THEIR MOTION TO DISMISS** on the party(s) set forth below by:

X Placing an original or true copy thereof in a sealed envelope placed for collection and mailing in the United States Mail, at Reno, Nevada, postage prepaid, following ordinary business practices

_____ Certified Mail, Return Receipt Requested

_____ Via Facsimile (Fax)

_____ Placing an original or true copy thereof in a sealed envelope and causing the same to be personally Hand Delivered

_____ Federal Express (or other overnight delivery)

addressed as follows:

Michael D. Rounds, Esq.
Matthew D. Francis, Esq.
WATSON ROUNDS
5371 Kietzke Lane
Reno, Nevada 89511

DATED this 5th day of May, 2005.

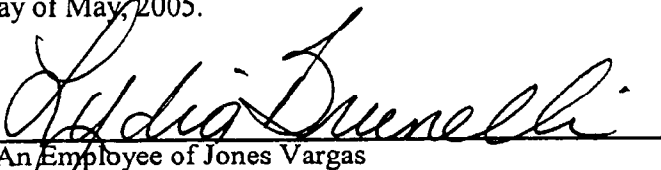

An Employee of Jones Vargas

EXHIBIT A

H

Oakley Inc.
v.
Bolle America Inc.

District Court, C.D. California
No. SA CV 91-634-LTL(RWRx)

Decided March 26, 1992
United States Patents Quarterly Headnotes

TRADEMARKS AND UNFAIR TRADE PRACTICES

[1] Types of marks -- Trade dress as mark -- In general (Section 327.0701)

JUDICIAL PRACTICE AND PROCEDURE
Jurisdiction -- Subject matter jurisdiction -- In general (Section 405.0701)

REMEDIES
Non-monetary and injunctive -- Declaratory judgments (Section 505.05)

Federal district court has jurisdiction to hear counterclaim for declaratory judgment of invalidity and non-infringement of trade dress rights claimed by plaintiff, even though claimed trade dress is not federally registered, since Lanham Act's Section 43(a), 15 USC 1125(a), entitles plaintiff to assert rights to unregistered trademark in trade dress of its product.

JUDICIAL PRACTICE AND PROCEDURE
[2] Jurisdiction -- Subject matter jurisdiction -- Case or controversy (Section 405.0703)

REMEDIES
Non-monetary and injunctive -- Declaratory judgments (Section 505.05)

Letter advising defendant that plaintiff owned state-registered trademarks for trade dress of its sunglasses did not create case or controversy sufficient to support subject matter jurisdiction over defendant's claim for declaratory judgment of invalidity and non-infringement, since letter was received by defendant more than three years prior to suit, and defendant's current apprehension of infringement suit is thus less than reasonable, especially in view of plaintiff's

instant patent infringement suit against defendant which does not include claim for trade dress infringement.

JUDICIAL PRACTICE AND PROCEDURE
[3] Jurisdiction -- Subject matter jurisdiction -- Case or controversy (Section 405.0703)

REMEDIES
Non-monetary and injunctive -- Declaratory judgments (Section 505.05)

Plaintiff's application for federal registration of trademark covering trade dress of its sunglasses did not create case or controversy sufficient to support subject matter jurisdiction over defendant's claim for declaratory judgment of invalidity and non-infringement, since mere assertion of rights in trade dress and filing of application did not give rise to reasonable apprehension of suit; plaintiff's offer to settle trademark opposition proceeding between parties by agreeing not to bring suit claiming infringement by defendant's current products, and its later withdrawal of that offer, likewise failed to create reasonable apprehension of suit, since plaintiff subsequently bound itself to terms of settlement offer in "covenant not to sue" between parties.

JUDICIAL PRACTICE AND PROCEDURE
[4] Jurisdiction -- Subject matter jurisdiction -- Case or controversy (Section 405.0703)

"Covenant not to sue" in which plaintiff agrees to refrain from suing defendant, or any entity in chain of distribution of defendant's products, for infringement of plaintiff's trade dress by defendant's past or current products is enforceable and therefore negates any reasonable apprehension of suit on part of defendant; plaintiff's failure to disclaim right to sue for infringement by defendant's future products does not require contrary conclusion, since apprehension of litigation over products not yet created is not reasonable and thus does not give rise to actual controversy.

JUDICIAL PRACTICE AND PROCEDURE
[5] Jurisdiction -- Subject matter jurisdiction -- In general (Section 405.0701)

REMEDIES

Non-monetary and injunctive -- Declaratory judgments (Section 505.05)

Pending opposition proceeding between plaintiff and defendant warrants federal district court's refusal to exercise jurisdiction over defendant's suit for declaratory judgment of invalidity and non-infringement of claimed trade dress which is subject of opposition, since court has discretion to reject cases that are properly before Patent and Trademark Office, since board has obviously invested substantial time and effort in attempting to determine validity of claimed trade dress, and since judicial efficiency is best served by avoiding duplication of board's efforts.

*1700 Action by Oakley Inc. against Bolle America Inc., for patent infringement, in which defendant counterclaims for, inter alia, declaratory judgment of invalidity and non-infringement of trade dress rights claimed by plaintiff. On plaintiff's motion to dismiss counterclaim. Granted.

Darrell L. Olson, Joseph R. Re and Steven J. Nataupsky, of Knobbe, Martens, Olson & Bear, Newport Beach, Calif. (Gregory L. Weeks, of Weeks, Rathbone, Robertson & Johnson, San Diego, Calif., of counsel), for plaintiff.

James D. Jacobs and Eugene D. Berman, of Rosen, Dainow & Jacobs, New York, N.Y. (Donald G. Norris, of Burton & Norris, Pasadena, Calif., of counsel), for defendant.

Lydick, J.

This matter is here on the motion of plaintiff Oakley, Inc. ("plaintiff") to dismiss the third counterclaim of defendant Bolle America, Inc. ("defendant").

Plaintiff's complaint against defendant alleges patent infringement of plaintiff's U.S. Patent No. 4,824,233 and U.S. Patent No. Des. 293,450. These patents allegedly protect sunglasses sold by plaintiff under the names "Blades" and "Razor Blades."

Both parties have stated through declarations that plaintiff is attempting to obtain a United States trademark registration for the configuration of a portion of the "Blades" product (hereafter referred to as the *1701 "Claimed Trademark"). [FN1] Both parties have further declared that defendant has filed an opposition to the issuance of the Claimed Trademark, which is currently pending before the Trademark Trial and Appeal Board of the United States Patent and Trademark Office. [FN2]

Defendant's third counterclaim to plaintiff's complaint, at issue in the present motion, concerns this Claimed Trademark of plaintiff--not the patents that are the subject of plaintiff's complaint. Defendant seeks a declaratory judgment that plaintiff's Claimed Trademark is not infringed by defendant and that plaintiff has no, and cannot have any, federal, state or common law trademark rights in its Claimed Trademark.

[1] An initial question arises as to the Court's jurisdiction to grant the relief requested by defendant in its third counterclaim, in light of the fact that the Claimed Trademark at issue is not federally registered. The Court does have jurisdiction to grant such relief. Section 43(a) of the Lanham Act of 1946, 15 U.S.C. Section 1125(a), as amended, "entitles the first manufacturer of a product to an unregistered trademark in the 'trade dress' of its product." Rachel v. Banana Republic, Inc., 831 F.2d 1503, 1506 [4 USPQ2d 1877] (9th Cir. 1987). Since plaintiff could assert rights in its unregistered Claimed Trademark under 15 U.S.C. Section 1125(a), this Court has jurisdiction to determine the validity of such an unregistered trademark.

Plaintiff's motion to dismiss defendant's third counterclaim is brought under Federal Rule of Civil Procedure 12(b)(1), "lack of jurisdiction over the subject matter." The Declaratory Judgment Act, 28 U.S.C. Section 2201, provides that "[i]n a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought." It has been emphasized that "[t]he existence of an actual controversy is an absolute predicate for declaratory judgment jurisdiction." Spectronics Corp. v. H.B. Fuller Co., Inc., 940 F.2d 631, 633-34 [19 USPQ2d 1545] (Fed. Cir. 1991). Plaintiff maintains that this Court lacks subject matter jurisdiction over this matter because there exists no "actual controversy" between plaintiff and defendant as required by the Declaratory Judgment Act.

In deciding a motion to dismiss based on lack of subject matter jurisdiction, the district court may consider evidence outside of the pleadings. W. Schwarzer, A. Tashima & J. Wagstaffe, *California Practice Guide: Federal Civil Procedure Before Trial* Para. 9:85 (The Rutter Group 1991). See, e.g.,

Roberts v. Corrothers, 812 F.2d 1173, 1177 (9th Cir. 1987), and Societe de Conditionnement v. Hunter Engineering, 655 F.2d 938 [210 USPO 344] (9th Cir. 1981). The only items of evidence to be considered by this Court are the written declarations and attached exhibits submitted by the parties in support of their papers supporting or opposing the motion to dismiss the third counterclaim. This Court must determine whether these materials establish that an actual controversy exists between the parties.

The Ninth Circuit has held that "[a]n action for a declaratory judgment that a patent is invalid, or that the plaintiff is not infringing, is a case or controversy if the plaintiff has a real and reasonable apprehension that he will be subject to liability if he continues to manufacture his product." Societe de Conditionnement v. Hunter Engineering, 655 F.2d 938, 944 [210 USPO 344] (9th Cir. 1981), cited in Chesebrough-Pond's, Inc. v. Faberge, Inc., 666 F.2d 393, 396 [214 USPO 44] (9th Cir. 1982) (same test for declaratory relief in trademark infringement case).

The court in Chesebrough stated that the Societe case "requires a flexible approach that is oriented to the reasonable perceptions of the plaintiff." Chesebrough, 666 F.2d at 396. The Chesebrough court added that "[t]he acts of the defendant were . . . to be examined in view of their likely impact on competition and the risks imposed upon the plaintiff, to determine if the threat perceived by the plaintiff were real and reasonable." *Id.*

Defendant here bases its claim of reasonable apprehension of suit in part on a letter sent to defendant by plaintiff's attorney Gregory Weeks, on September 29, 1988. (Exhibit 1 to Declaration of Gregory L. Weeks in Support of Plaintiff's Motion to Dismiss Defendant's Third Counterclaim (hereafter referred to as "Weeks Decl.")). This letter accuses defendant of infringing two of plaintiff's patents on its Blades and Eyeshades sunglasses, and also "advises" defendant *1702 that plaintiff is "the owner of two California Trademarks bearing numbers 81851 and 81852 which also concern the Oakley 'Blades' sunglasses."

This letter does not explicitly claim that defendant infringed plaintiff's trademarks nor does it threaten a lawsuit against defendant based on trademark infringement. However, as defendant argues, the Ninth Circuit has held that "it is conceivable that a real and reasonable apprehension could occur without a threat." Societe de Conditionnement v. Hunter Engineering, 655 F.2d 938, 945 [210 USPO 344]

(9th Cir. 1981). Though an actual threat of litigation is not necessary, defendant's apprehension of suit must be "real and reasonable" so that an actual controversy exists at the time the Court decides the case. Burke v. Barnes, 479 U.S. 361, 363 (1987).

[2] In this case, the letter that defendant claims "threatened" litigation for trademark infringement was received by defendant over three years ago. Even if defendant may have been reasonably fearful of trademark infringement litigation when it received the letter, the fact that no such action has been taken in three years renders any current apprehension of suit on the part of defendant less than reasonable. This is especially true in light of the fact that the lawsuit that plaintiff eventually did file against defendant for patent infringement does not include a claim for infringement of the Claimed Trademark.

[3] Defendant also argues that it has a reasonable apprehension of suit based on plaintiff's actions in conjunction with defendant's opposition to plaintiff's application for registration of the Claimed Trademark, currently before the Trademark Trial and Appeal Board. It should be noted that plaintiff cannot be held to have created a reasonable apprehension of suit merely by asserting the trademark and applying for federal registration of that trademark. See Societe de Conditionnement v. Hunter Engineering, 655 F.2d 938, 944 [210 USPO 344] (9th Cir. 1981) ("the mere existence of the patent is not a cloud on title, enabling any apprehensive manufacturer to remove it by suit").

Defendant claims that plaintiff also created an apprehension of suit when it made and then withdrew an offer to settle the trademark opposition by agreeing not to sue defendant for trademark infringement based on defendant's current products. (Berman Decl. at 2-3). However, through its "covenant not to sue," (see below) plaintiff has subsequently bound itself to the very terms of the withdrawn settlement offer--an agreement not to sue defendant for trademark infringement based on defendant's current products. In light of the foregoing, alone, it is our view defendant does not have a reasonable apprehension that plaintiff will sue defendant for infringement of the Claimed Trademark.

Even if the actions discussed above did raise in defendant a reasonable apprehension of suit, plaintiff's "covenant not to sue" defendant adequately

negates such apprehension.

The parties do not dispute the existence of a "covenant not to sue" (hereafter the "Covenant") issued by plaintiff in favor of defendant. (Olson Decl. at 1, lines 9-14 and Exhibit 2; Berman Decl. at 5, lines 4-10). A letter dated January 7, 1992 and signed by plaintiff's counsel Darrell L. Olson, states that "Oakley hereby covenants not to sue Defendant Bolle America, Inc., for infringement of Oakley's Claimed Trademark by any current or past product of Defendant Bolle America, Inc." [FN3] In its Reply Memorandum in Support of Motion to Dismiss Third Counterclaim (hereafter "Plaintiff's Reply"), plaintiff further purports to extend the Covenant "to Bolle France, any customer of Bolle's past or current products, or any entity in the chain of distribution of those products." (Plaintiff's Reply at 5, lines 8-12). Plaintiff argues that the Covenant must necessarily alleviate any of defendant's reasonable apprehension of being sued by plaintiff for infringement of the Claimed Trademark.

[4] Defendant expresses doubt as to the enforceability of plaintiff's Covenant. However, in the similar case of Spectronics Corp. v. H.B. Fuller Co., Inc., 940 F.2d 631, 633 [19 USPO2d 1545] (Fed. Cir. 1991), the Court accepted as enforceable a similar covenant not to sue offered by defendants to a claim for declaratory relief. The covenant not to sue in *Spectronics*, like the covenant not to sue in this case, was filed in the district court and stated that defendants would not sue plaintiff for infringement of claims under a patent held by defendant. *Id.* at 633.

It is true that the covenant not to sue in the *Spectronics* case differed from the Covenant in the present case in that the defendants in *Spectronics* also stated that plaintiff "has no liability to Defendants." *Id.* However, this statement of non-liability did not enhance the enforceability of the *Spectronics* defendants' covenant not to sue. It appears that, *1703 like the covenant not to sue in *Spectronics*, plaintiff's covenant not to sue defendant or any entity in the chain of distribution of defendant's products for infringement of the Claimed Trademark by defendant's past or current products is enforceable.

The court in *Spectronics* went on to conclude that the defendants' covenant not to sue effectively eliminated any reasonable apprehension on the part of the declaratory plaintiff that it would be sued by defendants for patent infringement, and that therefore

the declaratory relief action was properly dismissed by the district court for lack of an actual controversy. *Id.* at 636-38. While the Federal Circuit *Spectronics* case is technically not binding on this Court, it is persuasive authority for the conclusion that a covenant not to sue may extinguish the "actual controversy" in an action for declaratory judgment.

Defendant attempts to distinguish *Spectronics* by pointing to the fact that the plaintiff in that case received more protection from the defendants' covenant not to sue, in that the defendants stated that the plaintiff had "no liability" to the defendants for infringement of the patent in question, even by future products. *Id.* at 633. Defendant argues that because plaintiff's Covenant has not released defendant from all liability under the Claimed Trademark, a reasonable apprehension of litigation still exists in that defendant's future products will be subject to infringement claims under the Claimed Trademark.

Defendant's argument is unpersuasive for two reasons. First, it should be noted that in the *Spectronics* case, the covenant not to sue did not actually save the plaintiff from liability for infringement by future products, in that the patent at issue was being surrendered to the Patent Office for reissuance with new patent claims, to which the covenant not to sue did not extend. *Id.* at 636.

Second, it is not reasonable for defendant to have an apprehension of litigation over products it has not yet invented. As the Ninth Circuit has stated, "[t]he more acute case or controversy problem in the patent area arises when the plaintiff has not yet begun to manufacture, or make preparations to manufacture the patented product. In that situation, the plaintiff is asking the court to render an advisory opinion whether its product would be infringing a valid patent if the plaintiff . . . actually proceeds to the manufacturing stage." Societe de Conditionnement v. Hunter Engineering, 655 F.2d 938, 944 [210 USPO 344] (9th Cir. 1981). Apprehension of claims for infringement by future products thus does not give rise to an actual controversy.

Plaintiff's Covenant in this case, like the covenant not to sue in *Spectronics*, relieves defendant of any reasonable apprehension of being sued by plaintiff under the Claimed Trademark. In our view no actual controversy exists between the parties as to the claimed trademark, and defendant's third counterclaim for declaratory judgment should be dismissed for lack of subject matter jurisdiction.

[5] Even if this Court were to conclude that defendant had a reasonable apprehension of litigation, and that this apprehension was not abated by plaintiff's covenant not to sue, this Court still would have the power to decline to exercise jurisdiction over defendant's third counterclaim. The Declaratory Judgment Act, 28 U.S.C. Section 2201, "is an enabling Act, which confers a discretion on the courts rather than an absolute right on the litigant." Public Service Comm'n v. Wycoff Co., 344 U.S. 237, 241 (1952). The Ninth Circuit has held that the exercise of such discretion by the courts in declaratory judgment actions "will allow rejection of cases that are properly before the Patent and Trademark Office." Chesebrough-Pond's, Inc. v. Faberge, Inc., 666 F.2d 393, 396 [214 USPQ 44] (9th Cir. 1982).

In this case it is undisputed that plaintiff is attempting to obtain a United States trademark registration of the Claimed Trademark, the subject of defendant's third counterclaim. (Olson Decl. at Para. 5). It is also undisputed that defendant's opposition to the issuance of the Claimed Trademark has been pending before the Trademark Trial and Appeal Board of the United States Patent and Trademark Office for nearly three years, since April 3, 1989. (Olson Decl. at Para. 6). The Trademark Trial and Appeal Board obviously has invested substantial time and effort attempting to determine the validity of plaintiff's Claimed Trademark. Judicial efficiency would best be served by leaving the determination of the validity of the Claimed Trademark to the Trademark Trial and Appeal Board, rather than duplicating its efforts. Accordingly, even if it found that an actual controversy exists, this Court would decline to exercise jurisdiction over defendant's third counterclaim.

For the above-stated reasons, the Court grants plaintiff's motion to dismiss defendant's third counterclaim. The Clerk of the Court will serve copies of this Order by United States mail upon counsel of record.

FN1 Supplemental Declaration of Darrell L. Olson in Support of Plaintiff's Motion to Dismiss Defendant's Third Counterclaim (hereafter "Olson Decl.") at 1, lines 20-27; Declaration of Eugene D. Berman in Opposition to Oakley, Inc.'s Motion to Dismiss Bolle America, Inc.'s Third Counterclaim (hereafter "Berman Decl.") at 2, lines 6-9.

FN2 Olson Decl. at 2, lines 5-16; Berman Decl. at 2, lines 2-9.

FN3 A copy of this letter is attached as Exhibit 2 to the Supplemental Declaration of Darrell L. Olson in Support of Plaintiff's Motion to Dismiss Defendant's Third Counterclaim.

C.D.Cal.

22 U.S.P.Q.2d 1699

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EXHIBIT B

►

Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern
Division.

NATIONAL MARKETING CONSULTANTS,
INC., Plaintiff and Counterdefendant,
v.

BLUE CROSS AND BLUE SHIELD
ASSOCIATION, Defendant and Counterclaimant.
No. 87 C 7161.

Nov. 19, 1987.

Memorandum Opinion
Motion to Stay Proceedings
Background

MAROVITZ, Senior District Judge.

*1 At issue is whether to grant Defendant's motion to stay the current proceedings pending the outcome of the Trademark Trial and Appeal Board's ("TTAB") Opposition proceeding. That proceeding will determine whether the similarity of the parties' respective shield designs is likely to cause confusion. Plaintiff, National Marketing Consultants ("National"), is engaged in the business of marketing and brokering legal services plans under a service mark consisting of the "National Legal Shield" utilizing a shield design. Defendant, Blue Cross and Blue Shield Association ("Blue Cross"), is in the business of providing health and disability insurance under a service mark utilizing a blue colored shield design.

National filed for a federal registration of its shield. The Patent and Trademark office subsequently published National's service mark. Blue Cross filed an Opposition proceeding before the TTAB to decide the sole issue of whether there is a likelihood of confusion between Blue Cross's and National's respective shield marks.

Following Blue Cross's initiation of the TTAB Opposition proceedings, National filed an action in the United States District Court for the District of Colorado requesting a declaratory judgment that its service mark did not infringe on defendant's service mark and, further, that it has the right to continue to

use its service mark without interference from Blue Cross. Subsequently, National filed with the TTAB a motion to suspend the Opposition proceedings pending the Colorado action. The TTAB granted National's motion to stay the Opposition proceedings. Blue Cross moved to dismiss the Colorado action. Thereafter, National voluntarily dismissed the Colorado action and refiled a virtually identical complaint in the Northern District of Illinois. Blue Cross responded to the Illinois action with a five count counterclaim seeking preliminary and permanent injunctions, treble damages, an accounting for profits and the destruction of the allegedly infringing materials. Thereafter, Blue Cross filed this motion to stay this case pending the outcome of the TTAB. Lastly, on October 7, 1987 the TTAB in a two page, summary order stayed its Opposition proceeding pending the outcome of this litigation without specifying any reasons for its decision.

Parties Contentions

Blue Cross's motion to stay is premised on the doctrine of primary jurisdiction. Defendant contends that the issue of whether there is a likelihood of confusion between the parties' respective service mark is a matter within the special competence of the TTAB and thus should be decided by that body. Additionally, Blue Cross argues that deference to the TTAB is likely to promote a speedier disposition of the entire action because the TTAB will decide the core issue of both parties' claims. Further, Blue cross argues that this court is not bound by the TTAB's decision to stay its proceeding pending the outcome of this litigation and thus should stay this action until the TTAB determines the issue of likelihood of confusion between the parties' respective trademarks.

*2 National argues that the doctrine of primary jurisdiction should not be applied to ordinary trademark infringement litigation because the issue of likelihood of confusion does not require the special expertise and experience of the TTAB. Furthermore, National claims that considerations of judicial economy weigh heavily against application of the doctrine of primary jurisdiction because the TTAB determination will not materially aid in the disposition of this action and will cause needless delay and expense. Finally, National argues that this court is required to proceed with this action due to the TTAB's decision to stay its action pending the

outcome of this litigation.

Discussion

"Primary jurisdiction ... applies where a claim is originally cognizable in the courts, and comes into play whenever enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body; in such a case the judicial process is suspended pending referral of such issues to the administrative body for its views." U.S. v. Western Pacific Railroad Co., 352 U.S. 59, 63-64 (1956).

"No fixed formula exists for applying the doctrine of primary jurisdiction. In every case the question is whether the reasons for the existence of the doctrine are present and whether the purposes it serves will be aided by its application in the particular litigation." Id. at 64. Primary jurisdiction is based on the precept "that in cases raising issues of fact not within the conventional experience of judges, or in cases requiring the exercise of administrative discretion, agencies created by Congress for regulating the subject matter should not be passed over." Id. The exercise of the court's discretion is guided in this situation by the need for initial consideration from a body possessing special expertise in the issue presented. Id. at 64-65.

In the present case, National petitioned the court for a declaration stating that its service mark is not likely to be confused with defendant's design. The issue of likelihood of confusion is precisely the issue to be resolved by the TTAB and is the core issue of the litigation between the parties pending before this court. Although the issue of likelihood of confusion between the two marks is not the sole issue presented before this court, the TTAB's determination will be a material aid in ultimately deciding the remaining issues in this case. It is sufficient that an administrative agency's decision will ultimately be a material aid in resolving the pending litigation to invoke the doctrine of primary jurisdiction. Ricci v. Chicago Mercantile Exchange, 409 U.S. 289, 305 (1973). Further, although it is within the power of this court to make such trademark infringement determinations, it is wise and proper practice to defer to the TTAB's expertise in such matters since they routinely make such determinations.

National erroneously cites Johnson & Johnson v. Walker A. Erickson & Co., 627 F.2d 57 (7th Cir.1980) for the proposition that trademark infringement cases such as the one at bar are not

suitable for the application of the primary jurisdiction doctrine. The Johnson & Johnson case is distinguishable in the following two respects. First, the issue in Johnson v. Johnson was not whether the primary jurisdiction doctrine should be applied in deferring to a pending administrative hearing, but rather whether the district court had the power to compel the patentee to submit its patent to the Patent and Trademark Office and apply for a reissue patent prior to the adjudication of the infringement action. Id. at 61. Secondly, the Seventh Circuit found that Johnson & Johnson was a question of law. The present case concerns the issue of the likelihood of confusion between trademarks which is a question of fact. Watkins Products, Inc. v. Sunwave Products, Inc., 311 F.2d 496, 499 (7th Cir.1962).

*3 Moreover, "the declaratory judgment procedure will not be used to pre-empt and prejudge issues that are committed for initial decision to an administrative body or special tribunal [...]. Responsibility for effective functioning of the administrative process cannot be thus transferred from the bodies in which congress has placed it to the courts." Public Service Commission of Utah v. Wycoff Co., 344 U.S. 237, 246-247 (1952). In the instant case the Opposition hearings were instituted prior to the filing of the underlying action. Thus the TTAB is currently the proper forum for disposition of the trademark confusion issue. For this court to proceed in this action at this time would frustrate the delicate balance envisioned by Congress between the court and the TTAB.

This court's power to invoke the primary jurisdiction doctrine and stay this action pending the outcome of the TTAB's Opposition proceeding does not dissipate merely because the TTAB acted first and stayed its proceeding pending the outcome of this litigation. As previously discussed, the policy behind primary jurisdiction will be furthered by waiting for the TTAB's determination of the likelihood of confusion between the parties' respective trademarks before continuing further. Other courts have held likewise in cases in which the plaintiff advances no reasons supporting a contention of prejudice resulting from any delay pending a decision by the TTAB. The Driving Force, Inc. v. Manpower, Inc., 498 F.Supp. 21, 26 (E.D.Penn.1980). Absent a showing of detriment, an unfortunate delay cannot preclude the application of the primary jurisdiction doctrine. Id.

In its memorandum concerning the TTAB decision, National states that the "TTAB has decided that the preferable forum for the litigation is the district

court." National's Memo Concerning TTAB Decision at 4. In its two page opinion, the TTAB indicates no decision as to a "preferable forum." *Blue Cross & Blue Shield Assn. v. National Marketing Consultants, Inc.*, Opposition No. 74, 641, Oct. 7, 1987. National cites numerous cases for its proposition that this court must proceed with this case. Unfortunately every case that National cites can be distinguished from this case. In fact, National embarks on the dangerous path of offering to this court quotations of incomplete sentences from some of the cases that it cites, effectively taking these sentences completely out of context. National fails to include in the quote from *U.S. v. Elrod* the preceding words: "the import fact is that the agency is a plaintiff in this section." *U.S. v. Elrod*, 627 F.2d 813, 817 (7th Cir.1980). These words completely distinguished *Elrod* from the instant matter. Further, National fails to complete the quoted sentence from *Skaw v. U.S.* that would show this court that the agency in that case declined to rule only after "a prior reference by the court." *Skaw v. U.S.*, 740 F.2d 932, 938 (Fed.Cir.1984). That missing factor distinguishes *Skaw* from the instant case. This court rejects as baseless the arguments set forth by National in its latest brief, including its "grave doubt" about the TTAB's "ability" because of the "Affidavit of Lora Thielbar." National's Memo, Concerning TTAB Decision at 4. This court reminds National that it is empowered to levy sanctions if it finds that a memorandum is filed that is not "well grounded in fact and is warranted by existing law." Fed.R.Civ.Proc. 11.

*4 As an aside, Blue Cross inaccurately discusses the exhaustion of administrative remedies in support of its motion to stay. The doctrines of primary jurisdiction and exhaustion of administrative remedies are both concerned with promoting the proper relationship between the courts and the administrative agencies charged with particular regulatory duties. The exhaustion rule applies only when a claim is cognizable in the first instance by an administrative agency alone and when judicial interference is withheld until the administrative process has run its course. *U.S. v. Western Pacific Railroad Co.*, at 63. In the present case the court had concurrent jurisdiction with the TTAB, thus explaining the sole propriety of the primary jurisdiction doctrine.

Although the court grants the motion to stay, the court takes this opportunity to specifically state that its decision was not based on Blue Cross's allegations of unwarranted delay by National. There is no

apparent merit to Blue Cross's unsubstantiated claim. Blue Cross neither averred facts nor submitted affidavits in support of this contention. From the record before the court, National merely, without a scintilla of bad faith, pursued legal relief open to it.

Summation

For the foregoing reasons, the court grants defendant's motion to stay pending the TTAB's determination of the issue of likelihood of confusion between the parties respective service marks.

1987 WL 20138 (N.D.Ill.)

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EXHIBIT C

P

United States District Court, C.D. California.
CITICASTERS CO., Plaintiff,

v.

COUNTRY CLUB COMMUNICATIONS, a
California corporation, Defendant.
No. 97-0678 RJK.

July 21, 1997

MEMORANDUM OF DECISION AND ORDER
GRANTING COUNTRY CLUB'S MOTION TO
STAY

KELLEHER, J.

*1 Defendant Country Club Communications asks the court to stay these proceedings so as to await the resolution of the United States Patent and Trademark Office's (the "PTO's") pending cancellation proceeding involving the KIIS Mark in dispute. Defendant and Plaintiff Citicasters present to the court a number of decisions--some of which suggest deference to administrative panels, while others instruct that courts do not generally defer to the PTO's Trademark Trial and Appeal Board ("TTAB"). See e.g., Driving Force, Inc. v. Manpower, Inc., 498 F.Supp. 21 (E.D.Pa.1980) (ordering stay pending TTAB resolution of opposition proceeding); C-Cure Chem. Co. v. Secure Adhesives Corp., 571 F.Supp. 808 (W.D.N.Y.1983). Compare with, Goya Foods, Inc. v. Tropicana Products, Inc., 846 F.2d 848 (2d Cir.1988) (finding that a PTO proceeding was not a proper basis to stay the law suit); E & J Gallo Winery v. F. & P.S., p.A., 899 F.Supp. 465 (E.D.Cal.1994) (adopting the analysis set out in Goya Foods). It appears to the court that these contrasting holdings merely reinforce the accepted canon that a decision to stay rests primarily within the district court's discretion--either under the briefed "primary jurisdiction" doctrine or through the court's power to monitor its own docket.

The Ninth Circuit has held that "[a] trial court may, with propriety, find it is efficient for its own docket and the fairest course for the parties to enter a stay of an action before it, pending resolution of independent proceedings which bear upon the case. This rule applies whether the separate proceedings are judicial, administrative, or arbitral in character, and does not require that the issues in such proceedings are

necessarily controlling of the action before the court." Leyva v. Certified Grocers of Cal., Ltd., 593 F.2d 857, 863-64 (9th Cir.1979) (citing Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co. 342 U.S. 180, 72 S.Ct. 219, 96 L.Ed. 200 (1952); Landis v. North American Co., 299 U.S. 248, 254-55, 57 S.Ct. 163, 81 L.Ed. 153 (1936) (additional citations omitted)). The court went on to state: "In such cases the court may order a stay of the action pursuant to its power to control its docket and calendar and to provide for a just determination of the cases pending before it." *Id.* at 864. The Ninth Circuit is yet to back off from the wide latitude given to district courts under this practical rule, most recently upholding the language of Leyva, in Agcaoli v. Gustafson, 844 F.2d 620, 624 (9th Cir.1988), *rev'd on other grounds*, 870 F.2d 462 (9th Cir.1989). In affirming the district court's power to regulate its docket, the Supreme Court has recently stated "[t]he District Court has broad discretion to stay proceedings as an incident to its power to control its own docket." Clinton v. Jones, 520 U.S. 681, ---, 117 S.Ct. 1636, 1639, 137 L.Ed.2d 945 (1997) (citing Landis v. North American Co., 299 U.S. 248, 254, 57 S.Ct. 163, 165-66, 81 L.Ed. 153 (1936)). Though in Clinton, the Supreme Court overruled the grant of a stay, the court recognized that a stay is acceptable when the court properly takes into account the effect of delay and the stage of proceedings.

*2 Because of the lack of demonstrable harm if a stay should be granted, and because of the efficiencies generated by the TTAB first addressing the issues involved in this matter, the court hereby stays the current proceedings. As to potential harm, plaintiff suggests that a period of additional years will result should the court stay the matter. Plaintiff provides no support for this supposition. Certainly, however, plaintiff is correct that deferring to an administrative body over which this court will eventually exercise *de novo* review will result in some time passing before this court makes its determinations. Yet the court finds that any minor delay is countered by the speed at which the court will ultimately be able to decide the issues herein, after the TTAB has offered its essentially advisory opinion. There will be little in the way of new discovery and the legal issues, though not disposed of, will be clearly set out.

The court acknowledges the reasoning present in such cases as American Bakeries Co. v. Pan-O-Gold

Not Reported in F.Supp.
1997 WL 715034 (C.D.Cal.), 44 U.S.P.Q.2d 1223
(Cite as: 1997 WL 715034 (C.D.Cal.))

Page 2

Baking Company, 650 F.Supp. 563, 566 (D.Minn.1986) (noting that "the proceedings and determinations of the PTO are of limited importance in a federal court proceeding"). Yet, ultimately, the court rests on precedent that does not require that the relevant administrative body's decisions bind or control--or even create presumptions that effect--its determinations. In granting the motion to stay, the court is confident that the TTAB will exercise its specialized knowledge in effecting a determination that will prove valuable to this court. Commensurate with this order, plaintiff's motion for a preliminary injunction and defendant ex parte application for a continuance are denied, the former without prejudice.

IT IS SO ORDERED.

1997 WL 715034 (C.D.Cal.), 44 U.S.P.Q.2d 1223

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EXHIBIT D

C
Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern
Division.
CHICAGO COSMETOLOGISTS ASSOCIATION,
INC., Plaintiff,
v.
NATIONAL COSMETOLOGY ASSOCIATION,
INC., Defendant.
No. 92 C 4627.

May 21, 1993.

MEMORANDUM OPINION

GRADY, District Judge.

*1 Before the court is the motion of defendant National Cosmetology Association, Inc. ("NCA") to dismiss or stay the proceedings on the basis that the complaint does not present a case or controversy. Also before the court is the motion of plaintiff Chicago Cosmetologists Association, Inc. ("CCA") to compel the production of documents.

FACTS

Defendant NCA is an organization of state and local associations which have the purpose of promoting the interests of cosmetologists. According to NCA, each state and local association which joins NCA agrees to abide by its bylaws. Plaintiff CCA is the NCA affiliate operating in Chicago. NCA contends that a cosmetologist who joins any one of the three tiers of the organization--national, state, or local--is automatically a member of all three tiers. Conversely, a person who is expelled from any one tier is automatically expelled from all three tiers. Member cosmetologists pay their dues to the national organization, which distributes portions of the dues to the state and local associations.

About two years ago, the leadership of CCA proposed that the association disaffiliate from NCA. This proposal was apparently precipitated by two events. First, in violation of NCA rules, CCA changed its voting bylaws to allow mail ballots in the election of its officers and directors. Second, CCA expelled one of its members without a hearing

required by NCA bylaws. According to the plaintiff, NCA responded to these events by claiming to have the power to investigate, discipline, or expel CCA members, to require CCA to modify particular bylaws, and to control the conduct of CCA's annual meetings. NCA did in fact institute proceedings to investigate CCA's expulsion of one of its members. While the parties settled this dispute, they did not resolve the mail balloting issue.

Also in response to these events, NCA filed applications with the United States Patent and Trademark Office ("PTO") to register "CCA" and "Chicago Cosmetologists Association" as NCA service marks. If CCA ever disaffiliates, NCA wants to charter a new association under that name. CCA also filed applications for the same service marks. The PTO gave priority to CCA's application for the "Chicago Cosmetologists Association" mark, while it gave priority to NCA's application for the "CCA" mark. Both parties filed protest letters with the PTO, which instituted registration opposition proceedings.

While CCA decided not to disaffiliate from NCA, it filed this suit, seeking declaratory judgments that it owns both service marks and that NCA has no right to direct its affairs. CCA brings its service mark claims in the first three counts of the complaint. Count I alleges a violation of the Lanham Act, 15 U.S.C. § 1051 et seq., Count II alleges a violation of the common law of unfair competition and infringement, and Count III alleges a violation of the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq., and the Uniform Deceptive Trade Practices Act, 815 ILCS 510/2. In Count IV, CCA seeks a declaratory judgment that it is an independent corporate entity which can be controlled only by its members, officers, and directors. The court's jurisdiction over this count is based on diversity of citizenship. NCA contends that there is no case or controversy regarding the service marks or the issue of corporate control and has moved to dismiss the complaint. After NCA filed its motion to dismiss, the PTO stayed its opposition proceedings pending the outcome of this suit. See February 10, 1993, and September 30, 1992, opinions of the Trademark Trial and Appeal Board. In addition, CCA has filed a motion to compel the production of documents.

JUSTICIABILITY OF THE SERVICE MARK

DISPUTE

*2 NCA asserts that this court may not entertain Counts I, II, and III of the complaint because NCA has not infringed or threatened to infringe any of CCA's alleged service marks, and because the PTO has primary jurisdiction over the determination of service mark ownership. CCA makes the following allegations:

42. By its conduct in filing the application, NCA has confirmed that it is using the Service Marks or, alternatively, that NCA believes that it has the right to use the Service Marks at will and that it is poised to do so. Any such use by NCA of CCA's name or of the Service Marks is intended to cause and is likely to cause, confusion and deception of the public and the relevant trade, misleading them as to the true source, connection, sponsorship, affiliation, association, or approval of NCA's business and of the services offered by NCA, all to the immediate and irreparable harm of CCA....

....
61. Moreover, NCA has communicated to CCA, CCA's members, and others that NCA claims to be the true owner of the Service Marks, that NCA has the right to use the marks, and that CCA's use of the marks has been at the sufferance of NCA.
Complaint ¶¶ 42 & 61.

As in any federal case, an action for declaratory judgment must present a case or controversy within the meaning of Article III of the Constitution. See Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 240 (1937). As to a declaratory judgment action involving service marks under the Lanham Act, a case or controversy exists if the declaratory plaintiff has a "real and reasonable apprehension that he will be subject to liability" if he commences or continues the activity in question. Electro Medical Systems S.A. v. Cooper Lasersonics, Inc., 617 F.Supp. 1036, 1038 (N.D.Ill.1985); see also Crown Drug Co. v. Revlon, Inc., 703 F.2d 240, 243 (7th Cir.1983). In other words, the declaratory plaintiff must have engaged in a course of conduct which brought it into adversarial conflict with the declaratory defendant. See Windsurfing Int'l Inc. v. AMF Inc., 828 F.2d 755, 757 (Fed.Cir.1987).

Under this standard, Count I of the complaint does not present a justiciable service mark claim under the Lanham Act. CCA makes no allegation that, if it continues its conduct, NCA will likely file a service mark infringement suit. CCA merely states that NCA has claimed ownership of the disputed marks. See Xerox Corp. v. Apple Computer, Inc., 734 F.Supp.

1542, 1546 (N.D.Cal.1990) (no case or controversy where there was no allegation that the declaratory defendant threatened a patent infringement suit). Nor has CCA alleged any facts demonstrating that NCA has infringed or misused its service marks. It simply concludes that, because NCA has filed service mark applications, NCA either uses the disputed marks or is "poised" to use them. CCA then contradicts this conclusory allegation in its memorandum by arguing that "the only competent evidence submitted related to the control over the use of the disputed marks demonstrates that NCA never has asserted control over CCA's use of them or even attempted to do so." Plaintiff's Memorandum in Opposition to Motion to Dismiss or Stay ("Plaintiff's Memorandum"), at 9.

*3 The only issue raised in Count I, then, is the proper registration of the service marks. The "mere filing of a statutory notice of opposition" to the registration of a service mark, however, "does not by itself create an actual case or controversy between the parties which is justiciable by a federal court" because opposition proceedings do not constitute claims of infringement, misuse, or unfair competition. K-Mart Corp. v. Hart Schaffner & Marx, 1987 U.S. Dist LEXIS 3957 (N.D.Ill. May 14, 1987); see also Taito American Corp. v. Entex Industries, Inc., No. 80 C 4218 (N.D.Ill. Mar. 31, 1982); Homemakers, Inc. v. Chicago Home for the Friendless, 313 F.Supp. 1087, 1088 (N.D.Ill.1970), *aff'd*, 169 U.S.P.Q. (BNA) 262 (7th Cir.), *cert. denied*, 404 U.S. 831 (1971); The Red Lobster Inns of America, Inc. v. New England Oyster House, Inc., 524 F.2d 968, 969 (5th Cir.1975); Wuv's Int'l, Inc. v. Love's Enterprises, Inc., 200 U.S.P.Q. (BNA) 273 (D.Colo.1978). This is true even when the PTO has suspended its proceedings pending the outcome of the district court action. See, e.g., Homemakers, 313 F.Supp. at 1088.

Likewise, Counts II and III of the complaint, which assert violations of the common law of unfair competition and infringement, the Illinois Consumer Fraud and Deceptive Business Practices Act, and the Uniform Deceptive Trade Practices Act, do not present a case or controversy. These counts merely repeat the allegations in Count I. Because, as noted above, there is no indication that NCA uses the disputed service marks, NCA has committed no acts which would be "likely to cause confusion or mistake."

Accordingly, we dismiss Counts I, II, and III of the complaint for failing to present an actual case or

controversy. Because these counts are not justiciable, it is not necessary to address the issue of the PTO's primary jurisdiction over trademark matters.

JUSTICIABILITY OF THE CORPORATE CONTROL DISPUTE

Regarding Count IV of the complaint, which requests a declaratory judgment that NCA may not direct the affairs of CCA, CCA makes the following allegations:

47. NCA has demanded that CCA change the [election] bylaw in question. On information and belief, NCA also claims that the election of the officers and directors conducted at CCA's June 1, 1992 annual meeting is invalid because of this alleged conflict between CCA's bylaw on the one hand, and the bylaws of NCA and ICA [Illinois Cosmetology Association] on the other.

48. NCA claims to have the right to take unspecified action against CCA and its officers and directors if CCA does not comply with NCA's demand to change the CCA bylaw.

....
75. NCA's course of conduct as aforesaid has created, and is continuing to create, uncertainty and confusion on the part of the members, officers, and directors of CCA in that, among other things, it has raised questions as to who has the right to control the business and affairs of CCA....

*4 Complaint ¶¶ 47, 48 & 75.

These allegations do not present a justiciable claim, as they fail to indicate that plaintiff "has sustained or is immediately in danger of sustaining some direct injury." City of Los Angeles v. Lyons, 461 U.S. 95, 102 (1983). As the Supreme Court has noted, a controversy is justiciable if it is "real and substantial" and "admitting of specific relief through a decree of conclusive character." Aetna Life Ins. Co., 300 U.S. at 241. This is distinguished "from an opinion advising what the law would be upon a hypothetical state of facts." *Id.*

CCA makes no allegations that NCA has taken steps to enforce its balloting bylaw, or that it has attempted to discipline CCA's leadership in response to the mail balloting issue. CCA merely argues that "NCA has never given any indication that it will not follow through on its threat to take action in the absence of compliance by CCA." Plaintiff's Memorandum, at 9-10. Although NCA instituted investigatory or disciplinary proceedings in response to CCA's expulsion of one of its members, CCA concedes that

this dispute was settled prior to the filing of this action. It makes no factual allegations supporting its conclusion that defendant is likely to initiate similar proceedings in response to the mail balloting issue, or that defendant's disciplinary proceedings are "capable of repetition yet evading review." International Union, UAW v. Dana Corp., 697 F.2d 718, 721 (6th Cir.1983).

Rather than presenting a case or controversy, CCA's complaint establishes only that the parties have a difference of opinion regarding NCA's right to dictate the actions of the local affiliates. The "judicial power of the federal courts does not extend to the adjudication of a difference of opinion." " International Union, UAW, 697 F.2d at 723 (citation omitted). We therefore dismiss Count IV of the complaint.

CONCLUSION

For the reasons stated above, the court grants defendant's motion to dismiss the complaint on the basis that it does not present a justiciable controversy. Because the court grants defendant's motion to dismiss, plaintiff's motion to compel the production of documents is denied as moot.

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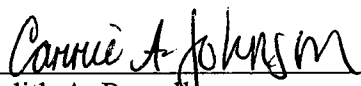
IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

FORT JAMES OPERATING)	
COMPANY and GEORGIA-PACIFIC)	
CORPORATION,)	Reg. No. 940,243
)	
Petitioners,)	Mark: BRAWNY
)	
v.)	Cancellation No. 92044396
)	
BRAWNY PLASTICS, INC.,)	
)	
Registrant.)	

PETITIONERS' REQUEST FOR AN ORAL HEARING

Pursuant to T.B.M.P. Rule 802.02, Petitioners Fort James Operating Company and Georgia-Pacific Corporation request an oral hearing before the Trademark Trial and Appeal Board further to the determination of *Opposition to Brawny Plastics, Inc.'s Motion to Suspend Proceedings*,¹ filed concurrently herewith.

Respectfully Submitted,



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¹ Petitioners note that Nextep, Inc., the alleged assignee of U.S. Registration No. 940,243, joined Brawny Plastics in its *Motion to Suspend Proceedings*. However, Nextep, Inc. is not a party to these proceedings and consequently is not entitled to request a suspension. See T.B.M.P. Rule 510.01 (noting that **parties** may stipulate or file a motion requesting a suspension) (emphasis added).

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

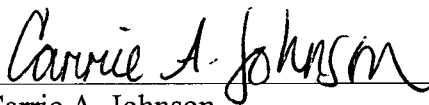
FORT JAMES OPERATING)	
COMPANY and GEORGIA-PACIFIC)	
CORPORATION,)	Reg. No. 940,243
)	
Petitioners,)	Mark: BRAWNY
)	
v.)	Cancellation No. 92044396
)	
BRAWNY PLASTICS, INC.,)	
)	
Registrant.)	

CERTIFICATE OF SERVICE

This is to certify that I have this day served a true and correct copy of the foregoing
PETITIONERS' REQUEST FOR AN ORAL HEARING by depositing same in the United
States mail, properly addressed with sufficient postage affixed thereto to ensure delivery to:

Michael D. Rounds
Matthew D. Francis
WATSON ROUNDS
5371 Kietzke Lane
Reno, NV 89511

This 5th day of May, 2005.



Carrie A. Johnson

TTAB

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

**TRADEMARK REGISTRATION NO: 2,490,596
2,551,619**

CANCELLATION NUMBER: 92041636
7622091
April 19, 2005

JOHN DAN WARREN, Petitioner

Vs.

KEITH ROSENBERG, Respondent

Petitioner is aware Respondent has filed the recent court order granting final judgment issued by the lower tribunal on October 4, 2005. Petitioner vehemently opposes the decision and hereby states the following:

1. It is against the weight of evidence the lower court made the decision.
2. **A trademark is acquired by use** and both Petitioner and Respondent used the mark for a period of at least 2 years prior to Respondent applying for the mark under false pretenses.
3. Respondent has filed numerous false statements with this Honorable Board such as the original declaration; all of which have previously submitted as evidence for this Board for review.
4. Respondent filed *a forged affidavit* and the aforementioned false statements with the lower court in order to deceive the lower court into making its ruling; *i.e. acquiring ownership of the mark in 1996.*
5. The lower court has never entertained the argument addressing the false documents and forgeries and has consistently denied the Petitioner



05-09-2005

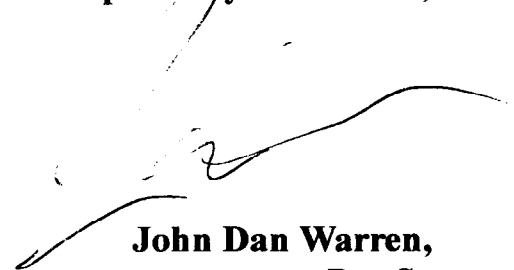
due process in this case.

6. **NO EVIDENCE HAS EVER BEEN PRESENTED BY RESPONDENT to indicated use by Respondent prior to 1997.**
7. All product being currently distributed to the public indicate the mark as being two people: Keith "Dj **Trip**" Rosenberg and Dan "**Theory**" Warren.

Wherefore, the above mentioned facts have been presented to this Board during these cancellation proceedings and the evidence to support the Petitioner's allegations have also previously been submitted to this Board for judicial review. Petitioner hereby requests this Honorable Board continue the cancellation proceedings and the investigation into the fraudulent procurement of the mark by Respondent.

The lone ownership of the mark by Respondent is both wrong unjust and has caused irreparable harm to Petitioner both personally and professionally. Petitioner seeks any remedy this Honorable Board deems just and proper.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'John Dan Warren', is written over a horizontal line.

**John Dan Warren,
Pro Se**

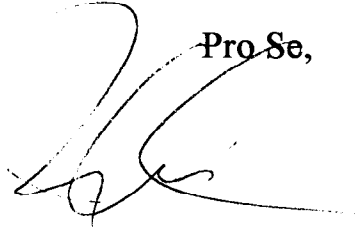
CERTIFICATE OF SERVICE

I hereby certify that a copy of the forgoing was sent certified US mail to the following and the aforementioned court reporter:

Richard Wolfe
Wolfe and Goldstein P.A.
550 Brickell Avenue
Miami, Fl 33131

One this 4 th day of April, 2005.

Pro Se,


John Dan Warren
4702 Nw 21 Ct
Coconut Creek, Fl 33063
954.973.7668 / 7623
561.843.7717

LAW OFFICES
IRVING KESCHNER
SUITE 385
21535 HAWTHORNE BOULEVARD
TORRANCE, CALIFORNIA 90503
(310) 543-5200
FAX (310) 543-0492

TTAB

April 28, 2005

Mail Stop 16
Director of the USPTO
P.O. Box 1450
Alexandria, VA 22313-1450

Re: Trademark Registration No. 2,938,210 for the mark BOX HANDLER
Registered April 5, 2005

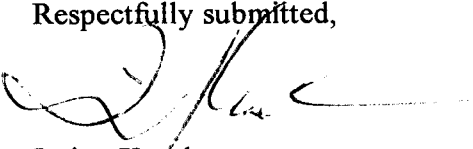
Sir:

The undersigned, on behalf of petitioner Ironclad Performance Wear Corp., forwarded a petition dated April 14, 2005 to the Patent and Trademark Office ("PTO") requesting that the referenced registration be canceled for the reasons set forth therein. A fee of \$300 was included with the petition.

It has now been ascertained that the referenced registration was cancelled by the PTO (letter from Lisa Wallace, Paralegal Specialist, to Nancy K. Gardner, attorney for Registrant from the Patent and Trademark Office TARR database on April 19, 2005) due to an error on their part. Thus, the petition was unnecessary based on the PTO's mistake and it is thus requested that the \$300 be refunded.

It should be noted that notwithstanding the aforementioned letter from Ms. Wallace, the Trademark Trial and Appeal Board established, via a communication dated April 23, 2005, Cancellation No. 92044453. It is thus unclear at this time whether or not the referenced registration has, in fact, been canceled. Please advise the undersigned accordingly.

Respectfully submitted,



Irving Keschner
Attorney for Petitioner
Registration No. 24,547
April 26, 2005

Letters/pto.8

Cc: United States Patent and Trademark Office
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451



05-09-2005

U.S. Patent & TMO/TM Mail Rpt Dt. #77